



LEPTRON INDUSTRIAL ROBOTIC HELICOPTER COA EQUIPMENT LEASE AGREEMENT

THIS EQUIPMENT LEASE ("Lease") AGREEMENT is made and effective as of May 7, 2012, by and between **Leptron Industrial Robotic Helicopters, Inc.** ("Lessor") and **Seattle Police Department/Homeland Security** ("Lessee").

WHEREAS, Lessor desire to lease certain equipment to Lessee; AND

WHEREAS, Lessee desires to lease certain equipment from Lessor;

NOW THEREFOR, in consideration of the mutual covenants and promises hereinafter set forth, the parties hereto agree as follows:

1. **Equipment:** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the following described equipment:

1.1 **Avenger helicopter:** (1 each) Leptron Avenger electric helicopter as described in the attached detailed quote.

2. **Term:** The term of this lease is for a period of **Six (6)** Months, commencing **May 1, 2012** and ending **November 1, 2012**. Should Lessor and Lessee mutually agree to extend the term of this agreement, the extension shall be in equal terms as agreed to in this section. Lessee agrees to pay the stated lease amount described in section 3 of this agreement at the beginning of the agreement and at the beginning of any and all extension(s). There shall be no proration for "time not used" or early termination by Lessee.

3. **Lease Amount:** The lease amount shall be **\$30.00** per Month, and shall be due and payable at the time this lease agreement signed and accepted by all parties.

4. **Ownership:** The equipment is, and shall be and remain at all times the sole and exclusive property of Lessor. Lessee shall have no right, title or interest therein or thereto except as expressly set forth in this agreement.

5. **Possession:** Lessee has limited right of possession of equipment. Lessee's only right of possession will be during and under the specific authority, direct supervision of, and in the physical presence of the Lessor. Lessor will retain physical possession of all equipment unless and until requested by Lessee or until alternate direction is provided by Lessee.

6. **No Assignment:** Lessee shall not assign this agreement or its interests in the equipment without prior written consent of Lessor.

7. **Shipping of Equipment:** Lessee is responsible for shipping all equipment and supplies to and from Lessee's location. All Equipment is FOB Leptron, Golden, CO. Lessor will only ship equipment specified by Lessee, only at a time specified by Lessee and only in a manner specified by Lessee, and only by written request from Lessee approved and agreed to in writing by Lessor.

8. Surrender: Upon expiration or termination of this agreement, Lessee shall surrender all equipment to Lessor in good repair, condition and working order, ordinary wear and tear resulting from proper use thereof alone accepted, by delivering the equipment at Lessee's cost and expense, to Leptron's Ogden, UT facility or to another location specified by Lessor.

9. Use of Equipment: The purpose of this lease is to satisfy a FAA COA requirement. As such, the leased equipment shall only be available for this purpose during the term of this lease. The equipment shall only be used under Leptron's direct supervision and in accordance with Leptron's Standard Practices as specifically expressed in Leptron's approved Flight Training classes. The equipment is not to be used for training purposes or training classes. The Lessee will provide their own Leptron Avenger for training classes and exercises. There are no warranties on the equipment, expressed or implied in any way including but not limited to implied warranties of merchantability and/or fitness for a particular purpose, except that Lessor warrants that Lessee has the right to lease the equipment as provided in this lease agreement. Lessor agrees to provide relevant and necessary technical and flight data to Lessee, upon written request, for the sole purpose of completion of the mandated FAA Certificate of Authorization (COA) application.

10. Loss, Damage, Repairs: No loss, damage and/or repairs to and/or by equipment shall impair or limit in any way any obligation of Lessee under this agreement and this agreement shall continue in full force and effect through the entire term of this agreement. During the term of this Lease, Lessor shall be responsible for any and all loss, damage and/or repairs of, and to any and all equipment that is in the possession of Lessor, at the location of the Lessor that has not been shipped to Lessee.

10.1 Loss: Lessee shall bear the full risk of loss of equipment that has been shipped to Lessee. Lessor shall bear the full risk of loss of equipment in the possession of Lessor, not shipped to Lessee. If, while in the control of Lessee, any equipment is lost or stolen, the Lessee agrees that within 30 days of loss, Lessee will pay Leptron the full price of replacement that Lessee would have paid to Leptron if Lessee would have purchase the equipment new from Leptron. Should the equipment later be recovered, the recovered equipment shall at that point become the property of the Lessee.

10.2 Damage: During the time any equipment is in the control of Lessee, should the equipment become damaged in any way, for any reason, in any event, by any person(s), by any and every cause whatsoever, the Lessee will bear full risk of damage. In the event of any damage whatsoever, the Lessee shall notify the Lessor and the Lessor will repair any and all damage at the expense of the Lessee at Leptron's current, regular and customary shop, parts and supply rates. Lessor shall bear responsibility for any and all damage while equipment is in the possession of Lessor.

10.3 Repairs: Leptron is the only entity authorized to do any repair to the equipment and shall do so as stated in section 10.2 of this agreement. Should repairs be required, Lessee agrees to pay all packing and shipping charges both to and from the location of the equipment to Leptron's facility in Golden, CO. Lessor shall be responsible and liable for all equipment during the time Lessor has possession of equipment. Lessee shall only be responsible for equipment that is in the control of Lessee.

11. Insurance: Lessee shall procure and continuously maintain, at Lessee's expense combined public liability and property damage insurance with limits as approved by or considered to be "Standard" within the city, county, state or area in which Lessee will store, transport and use the equipment. Lessee shall include Lessor as a co-insured on such insurance policy. Lessee shall provide Lessor with a copy of such insurance policy as evidence of coverage. Should the Lessee be a governmental agency or entity which is considered self-insured, Lessee warrants and guarantees to Lessor that Lessor is also covered under the Lessee's self-insurance policy, regulation or governmental mandate and will provide Lessor proper written evidence of same.

12. Indemnity: Lessee shall indemnify Lessor against, and hold Lessor harmless from, any and all claims, actions, suits, proceedings, costs, expenses, damages and liability, including reasonable attorney's fees and costs arising out of, connected with, or resulting from any and all use of the equipment by the Lessee, including without limitation the delivery, possession and return of the equipment. Lessor shall indemnify Lessee against, and hold harmless from, any and all claims, actions, suits, proceedings, costs, expenses, damages and liability, including any reasonable attorney's fees and costs arising out of, connected with, or resulting from any and all use of the equipment by the Lessor.

13. Taxes: Lessee shall keep the equipment free and clear of all levies, liens and encumbrances. Lessee or Lessor, at Lessee's expense, shall report, pay and discharge, when due, any and all license, registration fees, assessments, sales, use and property taxes arising out of receipts from use or operation or possession of the equipment, and any other taxes, fees and governmental charges similar or dissimilar to the foregoing together with any penalties or interest thereon imposed by any governmental agency or department whether any such charge is imposed against or in the name of Lessee or Lessor. However, Lessee has the right to contest any proceeding(s) tax or any charge and should Lessee prevail in that contest, Lessee has the right of recovery of said funds.

14. Headings: Headings used in this agreement are provided for convenience only and shall not be used to construe meaning or content.

15. Entire Agreement: This agreement constitutes the entire agreement between the parties on the subject matter hereof and it shall not be amended, altered or changed except by written addenda agreed to and signed by all parties of this agreement.

16. Severability: Should any part of this agreement be rendered or declared invalid by a court of competent jurisdiction of any state or other legal jurisdiction, such invalidation of such part or portion of this agreement shall not invalidate the remaining portions thereof, and they shall remain in full force and effect. It is further agreed that if part of this agreement is determined invalid, either party may open negotiations solely with respect to a substitute for such Article, Section, or portion, within two (2) weeks after a ruling has been made.

17. Electronic Transmission and Counterparts: Electronic transmission (including email and fax) of a signed copy of this agreement, any addenda, and the retransmission of any signed electronic transmission shall be the same as delivery of an original. This agreement and any addenda may be executed in counterparts.

18. Authority of Signers: If Lessor or Lessee is a corporation, partnership, trust, estate, Limited Liability Company, government agency or department or other entity, the person signing this agreement on its behalf warrants his or her authority to do so and to bind Lessor or Lessee.

19. Governing Law: This agreement shall be construed and enforced according to the laws of the State of Colorado.

20. Notices: Service of all notices under this agreement shall be sufficient if provided in writing, hand delivered or by certified mail, return receipt requested, postage prepaid, to the address hereinafter set forth, or to such address as each party may provide in writing from time to time.

If to Lessor:

Leptron Industrial Robotic Helicopters, Inc.
801 Brickyard Circle #A
Golden, CO 80403

If to Lessee:

Seattle Police Department
Homeland Security
610 Fifth Avenue
PO Box 34986
Seattle, WA 98124-4986

Lessor Signature Block:

Leptron Industrial Robotic Helicopters, Inc.

Signature: _____

Name: John Oakley

Title: CEO

Date: May 7, 2012

Signature: _____

Name: David Scott Heath

Title: President

Date: May 7, 2012

Lessee Signature Block:

Seattle Police Department
Homeland Security

Signature: _____

Name: P. McDonagh

Title: Assistant Chief

Date: May 7, 2012